

STATEMENT OF LISA CHILES  
DEPUTY ASSISTANT ADMINISTRATOR  
BUREAU FOR ASIA AND THE NEAR EAST  
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

BEFORE THE

HOUSE COMMITTEE ON FOREIGN AFFAIRS  
SUBCOMMITTEE ON ASIA, THE PACIFIC AND THE GLOBAL  
ENVIRONMENT

September 20, 2007

Mr. Chairman and other distinguished members of the committee, thank you for inviting me to appear before you today. I am pleased to have this opportunity to share the perspective of the U.S. Agency for International Development (USAID) on the subject of this hearing: *U.S. Assistance in East Asia and the Pacific: An Overview*.

Let me begin, Mr. Chairman, by saying that this hearing provides an important focus on a region of the world – East Asia and the Pacific (EAP) – that is both dynamic and evolving. The EAP contains a third of the world's population, some of the most rapidly expanding economies and some very poor and politically repressed countries. I think we would all agree that the region represents both opportunity and challenge for making the most of U.S. resources to advance policies and relationships throughout the region.

As growth and change have occurred in the EAP region, development priorities have shifted as well, allowing USAID to shift personnel and funding to meet evolving needs. The USAID presence in the region is both bilateral and regional. We operate programs in eleven countries, delivering assistance through individual country missions, the USAID Regional Development Mission Asia (RDMA) in Bangkok, Thailand and from our base in Washington, D.C. This combination of delivery mechanisms allows USAID to work effectively and efficiently with host governments, with other international donors and with Asian regional membership groups to fill gaps in services, care, skills and systems that keep societies from advancing. We are building social, political and economic foundations throughout the region that will support free, open, tolerant and participatory societies on a long term basis.

I believe we are making good progress. USAID financial and technical support is girding evolving democracies in such places as Indonesia, Mongolia and Timor Leste; playing a role in focusing rule of law, anti-corruption and human rights reforms in Cambodia and China; and, on improving the lives of refugees, migrants and internally displaced persons from Burma living along the border in Thailand. Our education programs in the region – including President Bush’s education initiative in Indonesia – are helping to prepare both the current and the next generation of citizens for a greater role in shaping their own futures as members of their countries’ workforces and electorates. Critical programs in disease prevention and treatment – HIV/AIDS, TB, avian influenza, malaria and dengue fever – and in maternal and child health - are improving health and the delivery of related services in Vietnam and throughout East Asia. These investments, coupled with others that support economic growth on a sustainable basis - such as USAID’s assistance to the Philippines in environmental management, trade and competitiveness - aim to produce dividends in jobs, health and security that reach into all levels of society, thus reducing the likelihood of conflict and countering terrorist propaganda.

In recognizing that the East Asia and Pacific (EAP) region is prone to large-scale natural disasters that can cause serious setbacks to development, USAID is continuing to help governments and communities prepare for and respond to environmental calamities: in Aceh Province in Indonesia since the 2004 tsunami, in Vietnam, and more recently, by helping the Solomon Islands recover from its devastating tsunami last April and providing humanitarian assistance to N. Korea following the flood in August.

USAID’s programming of approximately \$339 million in fiscal year 2007 concentrates assistance in Indonesia and the Philippines – key countries in the effort to reduce terrorist influence and build democratic states - and in Cambodia, a key, politically-fragile country. Smaller USAID bilateral programs in Mongolia and Timor Leste are important components for achieving U.S. foreign policy objectives, as are countries served by the regional mission in Bangkok such as Vietnam, Laos, and Burma. In Vietnam, for example, the USG has mounted one of its most concentrated efforts to prevent and treat infectious disease, including HIV/AIDS.

We are working in a difficult budget environment and recognize the need to fund national security priorities in Iraq and Afghanistan but other considerations also come into play, such as the relative advancement of countries within the EAP. It’s important to point out that more than any other region in the world, the EAP is home to states like Singapore and

Malaysia whose economies and societies have advanced to the point where the U.S. can serve more as a partner than a donor. We have significant assistance programs in Indonesia and the Philippines, two countries that have the potential to influence the entire region..

Generally, funding for foreign assistance programs in the EAP region allows USAID to mount interventions that will help to close the gaps that keep recipient countries from reaching their potential within their own borders and on the world stage. We leverage funds by coordinating with other donors and particularly with the private sector, thus allowing USAID to apply its resources – financial and human – as widely and effectively as possible.

The remaining portions of this statement will provide brief descriptions of country programs in the EAP region.

### ***Country Programs***

**Indonesia (\$137 million in FY 2007):** Indonesia, home to the world's largest Muslim majority, has emerged as a moderate Islamic, democratic state. To support conditions that will allow democratic processes to flourish, USAID invests in education, health care, local government accountability and business environment transparency. USAID is also continuing to provide humanitarian assistance to victims of the tsunami in Banda Aceh. Particular areas of effort and achievement include:

- Environmental programs to assist Indonesia in managing and conserving forests through greater transparency and local participation in resource management. In 2007, USAID launched a 3 year, \$8 million crisis program for orangutan conservation; and, the U.S. will provide seed funding for an initiative to preserve Indonesia's coral triangle, which contains over half of the world's coral reefs.
- In 2003, President Bush announced a five-year, \$157 million initiative to improve the quality of basic education throughout Indonesia. To date, it has reached over 300,000 students as well as 24,000 administrators and teachers in 1,500 Indonesian public and private schools; it is expected to have an impact on 650,000 students within the next three years.

- U.S. efforts to consolidate democratic reforms have helped 57 local governments to improve planning and management, provide services directly to citizens and involve them in government decisions that affect their lives.
- USAID is also bringing the action directly to the Indonesian people through projects that improve access to clean water and local level health service delivery, especially for maternal and newborn care.
- The USG provided key technical assistance to the Ministry of Women's Empowerment and Parliament on the development of anti-trafficking legislation. The bill was signed into law in 2007 and stands as a powerful tool in the effort to prosecute and convict traffickers.
- USAID's Avian Influenza *Participatory Disease Surveillance and Response* activities have produced the first systematic reporting of outbreaks among poultry in Indonesia. Teams, active in 166 of the highest risk districts nationwide, are finding and responding to poultry outbreaks.

**Philippines (\$64 million in FY 2007):** In the Philippines, USAID has joined with local officials and citizens to help governing units to become more transparent and responsive to residents, to ensure that health care services – especially for combating infectious diseases - are more effective and accessible for everyone.

- By increasing the diagnosis and treatment skills of health workers and private providers, USAID programs have supported improved TB treatment success rates and have been instrumental in helping the Philippines move steadily toward eventual elimination of tuberculosis throughout the country.

USAID invests approximately 60% of its annual funding in conflict-affected areas of the southern island of Mindanao. Working closely with the Departments of State and Defense, the USAID program in that region delivers much-needed assistance aimed at increasing access to quality basic education and at expanding zones of socio-economic opportunity, peace and security. For example:

- In the 2006 school year, USAID provided 61,000 public elementary school students in eight Mindanao communities with workbooks in

English and mathematics that featured exercises designed to take pupils to higher levels of learning; recent tests of reading achievement indicate that USAID interventions have reduced the number of non-readers from a high of 87% in 2005 to the current level of only 16% in 2007. School heads credit the materials with raising math scores and helping students make the transition from non-readers to effective, fast readers.

- Under USAID's economic growth initiative, 365,000 residents of Mindanao were provided access to micro-financing services through 330 rural banks – 82% of the clients are women.
- USAID's partnership with the private sector *Alliance for Mindanao Off-Grid Renewable Energy* has improved lives and economic opportunities by providing solar power to over 12,000 households in 413 remote communities

USAID is also implementing the *MCA Philippines Threshold Program* on behalf of the Millennium Challenge Corporation, which focuses on fighting corruption and improving the revenue generation capacity of government agencies.

**Cambodia (\$50 M in FY 2007):** In the last nine years, Cambodia has experienced steady growth and incremental progress toward political reform, though in both areas the country remains fragile. USAID is helping to lay the groundwork for political and human rights reform at all levels by combating corruption and opening doors to civil and political liberties, and working with local non-governmental organizations to improve health care, education and private investment.

- USAID is building political will for change by involving civil society organizations in educating citizens about the impact of corruption on their lives and engaging them in public advocacy for new laws. And USAID programs are educating local governments about standards of participation, transparency and accountability.
- As the major donor for HIV/AIDS programs, USAID has contributed to the reduction of Cambodia's prevalence rate from a high of 3% in 1997 to 0.6% in 2005. Most HIV positive Cambodians eligible for treatment are receiving appropriate care.

- Education programming is helping to close the literacy gap between men and women and to increase opportunity for more young citizens to gain a secondary education – this is essential access that will have a positive effect on workforce development and economic growth.
- USAID’s investments in education, health and governance aim to establish conditions necessary for improving Cambodia’s business climate and competitiveness in key industries. Programs strengthen productivity of micro and small enterprises; and, they train workers, including factory workers – the largest number of employees - in dealing with legal and labor issues.

**Timor Leste (\$19.8 M in FY 2007):** Timor Leste gained its independence in 2002, after 24 years of Indonesian occupation. It is also one of the ten poorest countries in the world, affected by its limited trading capacity, island status and mountainous terrain, and poor infrastructure.

Despite these challenges, Timor-Leste made considerable progress in establishing a democratic state and revitalizing its own economy. In 2006, it was one of 23 countries worldwide designated as eligible for assistance from the MCA. However, in that same year, internal violence threatened this progress politically and resulted in a displaced population of 150,000 Timorese.

USAID is responding to the current political and security crisis by providing support for the humanitarian needs of the displaced population, while at the same time continuing to support the country’s long-term development.

Programs are aimed at helping Timor-Leste revitalize its economy by assisting the government in drafting laws that will improve the environment for business start-ups and global trade and provide for uncontested property rights

- USAID provides training in management for businesses of all sizes and types, including, for example, farming, so that the farmers can move from subsistence to more commercially viable agricultural activities.
- U.S. technical assistance supporting Timor-Leste's 2007 presidential and parliamentary elections contributed to the first peaceful transfer of power in the country's history. Activities focused on training of

election monitors, journalists, and party leaders, as well as assisting the independent National Elections Commission and the Government's Technical Secretariat for Election Administration. All international observers consider the elections to have been free and fair.

- USAID has helped support transparency in government through training of independent media groups and expanding the quality and reach of the public broadcast system. USAID support for the government's legal information campaign reached more than 10,000 citizens with information about new laws and their rights.
- In the health arena, USAID works to improve child and maternal mortality rates through programs to educate mothers and their children about best health practices. And USAID programs addressing prevention and control of the endemic diseases of malaria, TB, dengue fever, HIV/AIDS and avian influenza.
- With USAID support, the Cooperative Café Timor has become the largest producer and distributor of organic coffee in the country with more than 20,000 farm family members and more than 3,000 Timorese employees.

**China (\$13.8 million in FY 2007):** Consistent with congressional mandates, Development Assistance funding of up to \$5 million are provided for American educational institutions to initiate programs relating to the environment, democracy and the rule of law, subject to notification requirements; and in economic support funds, not less than \$4 million is provided for NGOs to preserve the culture and traditions and promote sustainability in Tibetan communities in China. Funds to Tibet are also permitted for health activities such as HIV/AIDS.

- USAID supports partnerships between Western Kentucky University, Southwest University of China and Anhui University of Science and Technology to analyze and develop new practices for addressing water quality protection and pollution from coal in southwest China.
- In Guangdong Province, Vermont Law School and Sun Yat-sen University establish environmental law clinics and employ public outreach to heighten awareness of environmental issues in China.

- A consortium of four U.S. universities and two Chinese universities are working in partnership to enhance human rights, contribute to political reform and counter corruption. This program provides for pairing of Chinese and U.S. law professors and for scholarships for students and teachers to visit U.S. universities to observe advocacy education.

Although China is not a focus country under the President's Emergency Plan for Aids Relief, the United States Government, through the Office of the Global Aids Coordinator and the USAID regional mission in Bangkok, is providing \$9.75 million in assistance in Fiscal Year 2007 for HIV/AIDS prevention and care. USAID's assistance focuses primarily technical support and the piloting of new approaches to stem the HIV/AIDS epidemic in Yuuan and Guangxi provinces.

**Burma (\$12.9 million in FY 2007):** The people of Burma suffer from human rights violations, poverty, inadequate education and limited health care services. USAID adheres to the restrictions imposed by the Congress on foreign assistance to Burma, providing assistance in the areas of humanitarian support and human rights. To this end, USAID programs focus on support for the health and sustenance of Burmese internally displaced persons (IDPs), migrants and refugees living in 10 Thai provinces along the Burma-Thailand border.

- Health programs provide basic medical care to IDPs, migrants and refugees in and outside refugee camps. In addition to immediate care, they also emphasize preventative care and increase the capacity of border clinics to deliver health services effectively. Within Burma, USAID supports a limited HIV/AIDS program to mitigate the spread of the disease in the country and throughout the region.
- USAID supports primary education, literacy instruction, English-language training, vocational skills training and higher education opportunities, and in planning for the future of Burma, trains teachers and community organizers in the development of national education strategies.
- USAID supports democracy activities that finance training for Burmese journalists and public information workers to improve the availability of quality news for Burmese, in and outside the country.

**Mongolia (\$6.6 M in FY 2007):** Mongolia is at a crossroads in its transformation from a Soviet-styled political and economic system. It has made good progress, but still faces formidable challenges of climate, geographic location, infrastructure and a small domestic market. To encourage continued transformation and development, USAID supports efforts to expand economic opportunity and improve governing capabilities.

- USAID encourages effective private-sector led growth in the Mongolian economy through programs on legal and regulatory reforms that support investment and enterprise development at the sector and firm level. Legislatively, USAID works to develop measures that support – on a bipartisan basis - tax reform and other legislation that strengthens the business climate.
- To ensure that the country’s economic growth benefits all citizens, USAID is reaching out to the most disadvantaged citizens in Mongolia through programs in business training and employment services for the urban and rural poor. These newly engaged citizens also benefit from governance programs that encourage their participation in civil society.
- At the national level, USAID programs concentrate on judicial reform, political processes and reducing corruption. USAID launched a coordinated series of training initiatives that involved every judge in the country, and which resulted in improved case management, broader legal education exposure and a reduction of corruption in the legal system. The automation of all of Mongolia’s courtrooms has increased dramatically judges’ accountability as well as public access to case information.
- USAID efforts to promote sustainable economic growth are reaching at important enterprise sector that affects 75,000 Mongolian families. Programs assist cashmere producers to increase production through business planning and marketing. Five companies have joined together as the Mongolian Fibermark Society to promote their product.

**Vietnam (\$4.4 M in FY 2007):** Vietnam has sustained the second highest growth rate in Asia, spurring job creation and increasing trade with the U.S. and worldwide. Since a prosperous Vietnam – with its population of 84

million people – is vital to maintaining regional stability in Southeast Asia, USAID activities seek to accelerate the country’s transition to an open market-based economy, while at the same time ensuring that environmental management and governance keeps pace with economic and social progress.

- Since 2001, USAID’s successful *Support for Trade Acceleration* (STAR) program has assisted the Government of Vietnam in conducting comprehensive reform of laws and policies related to economic growth, including trade and investment, the U.S.–Vietnam Bilateral Trade Agreement, and Vietnam accession to the World Trade Organization. *STAR* operates as a client-driven project under Vietnam’s Office of Government Steering Committee, which requested a five year extension in 2006 to assist Vietnam's full integration into the global economic system and bring reform to its legal, judicial, prosecutorial, and court systems. The program also assists the National Assembly with economic forecasting and provides expertise on mitigating negative impacts of globalization on vulnerable sectors and populations. To date, *STAR* has supported the drafting of 114 laws and regulations; staging of 317 workshops and seminars for 23,619 participants; distribution of 73,000 reference materials; and, organization of 34 study missions for 252 officials.
- In 2004, the President’s Emergency Plan for AIDS Relief declared Vietnam a focus country. Working closely with the host government and other donors, USAID manages (\$32 million in FY 2007) large-scale activities to prevent, treat and care for those affected by HIV/AIDS. The U.S. will also continue its efforts to help contain avian influenza in Vietnam.
- USAID activities also focus on increasing citizen understanding of and participation in civil society, as well as their access to education, health care and employment, where there is a special focus on reaching out to ethnic minorities and those with disabilities. We are working effectively with the Vietnam Veterans of America Foundation in the effort to improve access and services for disabled Vietnamese.
- USAID anti-trafficking interventions, including scholarships and vocational training, are targeted to young females throughout the country.

- USAID's promotion of public-private partnerships with such companies as MasterFoods and the World Cocoa Foundation has advanced production and trade in the Mekong Delta; and their *Last Mile Initiative* with Microsoft, Intel and Qaulcomm has increased internet communication technology access in schools and community centers.

**Thailand (\$2.3 million FY 2007):** In 2006, a military coup displaced the democratically elected government of Thailand, thus activating section 508 restrictions on foreign assistance in that country, to which USAID adheres.

USAID support in Thailand is focused on strengthening civil society and a free media to promote peace in southern Thailand; much of the assistance is programmed through the U.S. not-for-profit organization, Internews. USAID has notified Congress of its intent to invest \$990,000 to support Thailand's electoral processes. This assistance falls outside the sanctions applied to Thailand.

The USAID program in Thailand also supports activities to reduce the incidence and prevalence of HIV/AIDS and to mitigate its impact on people living with HIV/AIDS and their families. This entails reducing HIV transmission among high-risk populations in Bangkok, Chiang Mai and Chonburi.

**Laos (\$ 1.4 million in FY 2007):** Laos is an authoritarian, one-party state where the transition from a centrally-planned and controlled economy to a more market-driven one is very slow. Its economic growth is severely limited and the government is also limited in its ability to help its citizens, particularly in the areas of health, education and employment. USAID concentrates its modest assistance programs in these three areas.

- USAID focuses on improving the livelihoods of poor rural farmers in villages in northern Laos by providing technical assistance in silk production as a viable alternative to opium production. This effort complements the counter-narcotics collaboration between the USG and the Lao government that has successfully reduced poppy production.
- Other programs improve the quality of emergency orthopedic, rehabilitation and medical management services for victims of

unexploded ordnance that remain from previous conflicts. USAID provides community education programs to reduce the number of injuries, and it develops resources to address rehabilitative requirements of districts and communities, as well as of individual social, education and employment needs.

- A goal of the USAID Avian Influenza program is to contain the virus by 2008. And through its regional health program, it seeks to reduce incidences of HIV/AIDS, TB, malaria and dengue fever.

**Pacific Ocean Region:** The USAID development presence in the Pacific is managed primarily through our regional mission in Thailand, which implements modest programs aimed at health, the environment and women's safety. As Deputy Assistant Secretary Davies' statement indicates, USAID, the Department of State and other USG agencies coordinate efforts to support security and development in the region, and through USG participation in transnational organizations, we interact regularly with other donors that are delivering needed services throughout the Pacific region, including the neighboring countries of Australia and New Zealand, both of which sponsor large-scale programs in the region.

USAID activities in the region include:

- In **Papua New Guinea**, USAID is currently implementing a \$1.5 million HIV/AIDS initiative. The program, for which we requested \$2 million in FY 2008, targets prevention, care and treatment among populations at high risk of infection, and assists the local government with coordinating its national response to the threat of infectious disease.
- In **Fiji**, the USAID regional mission has implemented two programs based on notwithstanding provisions that allow continuation of assistance despite section 508 restrictions:
  - A living reefs program that assists communities in conserving, managing and restoring the coral reef resources on which they rely. The program, implemented through a \$500,000 grant to Counterpart International, enables a unique public-private partnership to collaborate on preserving the environment and livelihoods.

- A center to combat and reduce violence against women and to ensure the rights of the victims of violence, the USAID regional missions provides \$155, 000.
- The USAID regional mission also stands ready to respond to disasters throughout the Pacific. In April of this year, for example, it provided a grant of \$250,000 to World Vision to help the **Solomon Islands** in Western and Choiseul Provinces recover from a devastating tsunami. Since 1995, USAID's Office of Foreign Disaster Assistance (OFDA), has supported the *Pacific Islands Disaster Program* that is implemented by the Asia Development Foundation to improve the disaster response and management capacity of Pacific nations. To date, USAID has invested \$3,906,813 in this program.
- USAID is currently preparing to assume disaster relief responsibility for the **Republic of the Marshall Islands** and the **Federated States of Micronesia**. We appreciate the Chairman's co-sponsorship of the conforming legislation, HR 2705 that will enable a smooth transition of authority from FEMA to USAID for disaster relief in the two countries and we look forward to working with this committee as we implement the transition plan.

### ***Transformational Diplomacy in the Region - the Foreign Assistance Framework***

In FY 2007, USAID resources for the region were allocated as follows:

*Investing in People* receives the largest share of the foreign assistance request at 41%, primarily to fight diseases, educate people and support Presidential initiatives. The President's Education Initiative in Indonesia, health and education programs in Cambodia, family health and education activities in the Philippines, and region-wide work in health implemented by the Regional Development Mission for Asia showcase investing in people activities.

*Peace and Security* represents nearly 24% of the budget, directed largely by Department of State investments in issues such as counter-terrorism, but also includes those that address transnational crime such as trafficking in persons throughout the region.

At 22%, *Economic Growth* is reflected in robust programs such as those in Vietnam where the modernized legal and economic policy framework has helped to accelerate economic reforms and private sector development, benefiting citizens at all levels of the society and integrating Vietnam into the global economic system.

*Governing Justly and Democratically* – at 13% of the budget request - advances U.S. foreign policy objectives, for example, helping Indonesia become a democratic and moderate voice in the Muslim World. It also promotes political competition and consensus building in vital countries such as Indonesia, the Philippines, Thailand and Cambodia, and presses for democratic change in Burma.

Lastly, *Humanitarian Assistance* - smallest category in terms of percent of base funding (just under 4%) - the majority of these funds support assistance for displaced Burmese on the Thailand-Burma border and builds on past efforts to increase disaster response capabilities. I would note that this category primarily advances support to vulnerable populations in their current situations; it is not intended to provide for major disasters in the region, which are covered largely by other funding when needs arise.

Mr. Chairman, let me conclude by thanking the Congress for organizing this hearing today and providing a forum to discuss issues of importance to East Asia and the Pacific. We appreciate all that your committee does to support USAID's efforts to build foundations that will sustain democracy, peace and prosperity in the region. I look forward to taking your questions.